




Financial Review

In 2020, total gas sales volume of the Group rose by

8% to
over **12 billion cubic metres.**



Profit after taxation attributable to shareholders of the Company rose by 11% to

HK\$ 1,447 million
as compared to last year.

Basic earnings per share amounted to

HK 49.56 cents.

Total number of customers reached **14.14 million**, with

704,000
new customers.



Revenue

Revenue from the sales of piped gas and related products decreased 2% from HK\$10,835 million in 2019 to HK\$10,616 million in 2020. This decrease was primarily attributable to the decrease in the average gas sales prices. The total consolidated volume of gas sold during the year amounted to 3,599 million cubic metres, representing an increase of 6% compared to last year. In the gas connection business, income from connection fees for the year amounted to HK\$2,210 million, up 6% as compared to 2019, with approximately 470,000 consolidated new household connections being made in 2020.

Total Operating Expenses

Total operating expenses in 2020 amounted to HK\$11,002 million, a decrease of 1% as compared to HK\$11,169 million in 2019. The cost of gas fuel, stores and materials used decreased 2% from HK\$8,905 million in 2019 to HK\$8,743 million. The decrease was mainly attributable to the decrease in purchase price of natural gas during the year. Staff costs dropped by 7% while depreciation and amortisation expenses rose by 10%.

Finance Costs

Finance costs in 2020 amounted to HK\$426 million, a rise of 7% as compared to 2019. This rise in finance costs reflected the increase in loans mainly for the acquisition and set-up of new projects and business development.

Equity Instruments at Fair Value through Other Comprehensive Income

Equity instruments at fair value through other comprehensive income mainly consisted of the Group's investment in Chengdu Gas Group Corporation Ltd. ("Chengdu Gas") and Nanjing Public Utilities Development Co., Ltd. ("Nanjing Public"). Chengdu Gas and Nanjing Public were stated at fair value and the fair value change was recognised as other comprehensive income during the year.



Financial Review

Financial Position

The Group has adopted a prudent approach in financial resources management, maintaining an appropriate level of cash and cash equivalents as well as adequate facilities to meet the requirements of day-to-day operations and business development, while also controlling borrowings at a healthy level.

As at 31 December 2020, the Group's bank loans and other loans amounted to HK\$11,493 million (31 December 2019: HK\$10,239 million), of which HK\$5,137 million (31 December 2019: HK\$3,433 million) represented bank loans and other loans due within 1 year, HK\$6,343 million (31 December 2019: HK\$6,790 million) represented bank loans and other loans due between 1 to 5 years, and HK\$13 million (31 December 2019: HK\$16 million) represented bank loans and other loans due over 5 years. Other than the HK\$8,147 million (31 December 2019: HK\$6,876 million) in bank loans and other loans which bore interests at fixed rates, the Group's loans were mainly arranged on a floating interest rate basis. The maturities and interest rates of the loans were arranged to provide sound financial resources and stable interest costs for the Group. The businesses of the Group mainly occurred in mainland China and most transactions, assets and liabilities were stated in Renminbi. As a result, the Group bore currency risk from fluctuations of Renminbi exchange rate for non-Renminbi denominated deposits and borrowings. The Group's borrowings denominated in Renminbi amounted to HK\$9,749 million (31 December 2019: HK\$8,495 million) and the remaining HK\$1,744 million (31 December 2019: HK\$1,744 million) borrowings were denominated mainly in Hong Kong dollars and United States dollars as at the end of the year. Cross currency interest rate swaps contracts were made to hedge foreign currency risk for most of the non-Renminbi denominated loans so as to reduce risk arising from fluctuations of Renminbi. Apart from the borrowings as mentioned above, the Group also has Renminbi loans amounted to approximately HK\$5 million (31 December 2019: HK\$30 million) and approximately HK\$21 million (31 December 2019: HK\$19 million) from joint ventures and a non-controlling shareholder on a fixed interest rate basis respectively. As at 31 December 2020, the Group did not have any pledge on assets. As at the end of the year, the Group had a gearing ratio (net debt to total equity plus net debt) of 28.9% (31 December 2019: 29.0%).

As at 31 December 2020, the Group's cash and cash equivalents together with time deposits amounted to HK\$2,335 million (31 December 2019: HK\$2,000 million), of which 99% (31 December 2019: 98%) are Renminbi-denominated and the rest are denominated in Hong Kong dollars and United States dollars.

As at 31 December 2020, the Group's unutilised available credit facilities amounted to HK\$7,716 million from banks and HKCG. The Group intends that the capital increase of Shanghai Gas will be funded from available internal funding, unutilised credit facilities from banks and HKCG, and potentially new banking credit facilities.

The operating and capital expenditure of the Group is funded by cash flows from operations, internal liquidity and financing agreements with banks. The Group maintains a strong liquidity position with its cash and cash equivalents on hand and unutilised credit facilities and we have adequate financial resources to meet our contractual obligations and operating requirements. Benefiting from our high credit ratings, the Group enjoys favourable interest rates on bank loans.



Credit Ratings

Moody's Investors Service maintained the issuer rating of Towingas China at "Baa1" with a "stable" outlook rating. Standard & Poor's also affirmed the long-term corporate credit rating of Towingas China at "BBB+" and its rating outlook as "stable". These ratings reflect the credit rating agencies' recognition of the Group's stable business and credit profile.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2020.

Final Dividend

The Board recommended the payment of a final dividend for the year ended 31 December 2020 of HK fifteen cents per share (2019: HK fifteen cents per share). The Board also proposed to offer a scrip dividend option to allow shareholders to elect to receive the final dividend wholly or partly in the form of new fully paid shares instead of in cash.